INDIRECT SALES

QUICK REVIEW

- Rebates
- Direct Discount
- Fee for Service
  - Modified Fee for Service
- Indirect Sale through a distributor

- Sales through a distributor

- INDIRECT

INDIRECT SALES

Processor's commercial product and commodity product are identical

Distributor has one slot for both

Distributor can sell to anyone

Sale becomes a commodity sale when product is sold to an eligible recipient who has raw inventory at the processor. The sale must be at the discounted price.

Indirect Sales

Distributor sells to eligible recipient at price discounted by the value of the donated food contained in the product.

Value is determined using the SEPDS and the November 15th commodity file value.

Unless cheese or NFDM is involved

Indirect Sales

Now the distributor needs to recoup the discount that was provided - from the processor.

?HOW?

- Showing the processor that he sold the finished product to an eligible recipient.

Regulations required that the distributor file a rebate application with the processor.

CUMBERSOME!!!

Find a way to be more efficient

Advent of "Net off Invoice"

- "Net off Invoice" allows the distributor to use his velocity reports, transmitted electronically to act as the rebate application.

- Paperwork reduction

- WHAT A CONCEPT

Sales Verification

??WHY??

Sales Verification

USDA is the steward of taxpayer's money that funds the commodity program.

USDA needs accountability for the inventory it has provided to the processor.

A third party is involved in the transaction.

Sales Verification

- Under the other Value Pass Through systems there is direct interaction between the recipient and the processor.

- The processor knows what he sold and the recipient knows what he received.

Sales Verification

USDA allows the processor to draw down the recipients raw inventory based upon the reports provided by the distributor.

USDA's Question

Was the report accurate and did the Value Pass Through occur??

Sales Verification

The State has the responsibility of verifying the accuracy of monthly performance reports.

Inventory is reduced based on the distributor reports.

The State may require sales verification by the processor.

The State must then reverify 10% of the processor's verifications.

This process closes the

ACCOUNTABILITY LOOP